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PP RUEHAG RUEHDF RUEHIK RUEHLZ RUEHROV  
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TO RUEHC/SECSTATE WASHDC PRIORITY 7162  
INFO RUCPDO/USDOC WASHDC  
RUEATRS/DEPT OF TREASURY WASHDC  
RUEHFT/AMCONSUL FRANKFURT 3519  
RUCNMEM/EU MEMBER STATES COLLECTIVE  
RUEHAT/AMCONSUL AMSTERDAM 1617

UNCLAS THE HAGUE 002275

SIPDIS

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SENSITIVE

STATE FOR EUR/UBI (RREITER)  
USDOC FOR 4212/USFCS/MAC/EURA/OWE/DCALVERT  
TREASURY FOR IMI/OASIA/VATUKORALA  
PARIS ALSO FOR OECD  
STATE PLEASE PASS FEDERAL RESERVE  
USEU FOR JENNIFER UNDERWOOD

E.O. 12356: N/A

TAGS: [EFIN](#) [ECON](#) [EINV](#) [ELAB](#) [NL](#)

SUBJECT: DUTCH COULD BLOCK NYSE/EURONEXT MERGER

REF: A) THE HAGUE 1391 B) THE HAGUE 1726 C) THE HAGUE 1864

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11. (SBU) SUMMARY. Concerns about the proposed  
NYSE/Euronext legal corporate structure could lead the Dutch  
Finance Ministry to block the announced merger if these  
issues are not addressed. Finance Minister Zalm will raise  
these concerns with visiting NYSE CEO Thain next week, and  
his ministry will continue to seek high-level U.S.  
consultations on the matter. END SUMMARY.

NEW CONCERNS OVER MERGER  
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12. (SBU) Despite public assurances from the Securities and  
Exchange Commission that a NYSE/Euronext merger would not  
oblige Euronext-listed companies to comply with U.S.  
securities regulations, Dutch politicians, regulators, and  
investors remain concerned about how national rules would  
apply across borders and whether U.S. companies could evade  
U.S. regulations under such an arrangement. Until recently,  
the Ministry of Finance (MOF) was confident that such  
controversial regulatory matters could be resolved before  
shareholders vote on the proposed merger in mid-December.  
(See reftels for further background reporting.) Last week,  
MOF officials told Econoff that the proposed NYSE/Euronext  
corporate legal structure offers inadequate protection  
against the potential cross-border application of U.S.  
regulations. These officials expect the European taskforce  
of regulators, which is tasked with assessing this proposed  
structure, to present similar conclusions within the next  
few days. A negative assessment would result in a MOF  
decision to block the merger.

13. (SBU) MOF officials also indicated that several  
traditional Euronext shareholders have sold their stake in  
the exchange over the past few months, and the company is  
now, to a large degree, owned by hedge funds. It remains to  
be seen, they said, how these shareholders will vote on the  
merger at the special December shareholders' meeting.  
Moreover, the future management structure within a  
NYSE/Euronext merger is still unclear, a cause for further  
concern given regulatory framework implications.

¶4. (SBU) In a phone call with Econoff this week, a senior Euronext legal advisor also expressed concern about NYSE/Euronext's future management structure, noting problems in convincing the NYSE to allow a formal strengthening of national-level management to appease European issuers and regulators. In contrast to MOF views, however, this contact was confident that the proposed corporate structure was solid enough to shield the merged company from future U.S. regulatory spill-over.

DUTCH CONTINUE TO SEEK CONSULTATIONS

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¶5. (SBU) Meanwhile, the MOF continues to seek consultations with the U.S. Congress, Treasury, and others in the event that concerns about the proposed NYSE/Euronext corporate legal structure are addressed and the merger goes forward. Finance Minister Zalm will also raise these issues with NYSE CEO John Thain when he visits the Netherlands October 24.

ARNALL